CONSOLIDATED CANADIAN FARADAY LIMITED

HOWARD ROSS LIBRARY
OF MANAGEMENT
MAY 29 1981
McGILL UNIVERSITY

1980 ANNUAL REPORT

CONSOLIDATED CANADIAN FARADAY LIMITED

Directors:	W. Clarke Campbell, Member of the firm of Day, Wilson, Campbell Barristers and Solicitors Martin P. Connell, Chairman of the Board Conwest Exploration Company Limited Colin C. Coolican, Executive Vice-President Conwest Exploration Company Limited John C. Lamacraft, President and Chief Executive Officer Conwest Exploration Company Limited Jules Loeb, General Manager, Falcon Investments Limited Howard A. Masson, Mining Executive Robert D. H. Thorburn, President, Venus Custom Products Limited
Officers:	W. Clarke Campbell, Chairman of the Board John C. Lamacraft, President and Chief Executive Officer Colin C. Coolican, Executive Vice-President William M. O'Shaughnessy, Secretary-Treasurer
Registrar and Transfer Agent:	Guaranty Trust Company of Canada Toronto
Co-Transfer Agent:	Bank of Montreal Trust Company New York, N.Y.
Auditors:	Thorne Riddell Toronto, Ontario
Head Office:	10th Floor, 85 Richmond Street West, Toronto, Ontario

TO THE SHAREHOLDERS

Your directors are pleased to present the Annual Report for the year ended December 31, 1980. Included are the consolidated financial statements of the Company and the auditors' report for the fiscal period ending on that date. Also enclosed are notice of annual and general meeting, information circular and proxy statement and form of proxy.

FINANCIAL

During the year your Company's 49% share interest in Madawaska Mines Limited was converted to a 49% direct interest in the Madawaska Mines Limited-Consolidated Canadian Faraday Limited joint venture. The financial statements for 1980 are presented as if this conversion had taken place effective January 1, 1980 and the financial statements for fiscal 1979 have been restated to conform to the 1980 presentation for comparative purposes.

Net income for the year ended December 31, 1980 amounted to $2,087,000 or $0.58 per share as compared to $2,379,000 or $0.67 per share for 1979. Net income was adversely affected by a sharp decrease in the Company's share of earnings from the Madawaska Mine joint venture operation at Bancroft, Ontario. This resulted from reduced mine operating margins and to a substantially increased depreciation charge, both of which are directly linked to the steep decline in the U_3O_8 price which has taken place over the course of the past year. Net income was, however, favourably affected by increased investment gains and income and by the gain on sale of the Florida apartment complex.

Working capital increased by $3,324,000 from $2,639,000 as reported in the 1979 financial statements to $8,871,000 as at December 31, 1980. Approximately 50% of this increase results from current year's operations and the balance results from reclassification of the Company's equity in the Madawaska Mine operation referred to above.

MINING OPERATIONS

Madawaska Mine

Tonnage milled during the year was 397,065 tons at an average mill-head grade of 1.62 lbs. U_3O_8 per ton. Total production was 610,792 lbs. U_3O_8 in concentrates for an overall recovery of approximately 95%. These results were as budgeted and compare favourably to the prior year.

The average price, net of discount, received from foreign and domestic sales during 1980 was $40.53 per lb. U_3O_8 compared to $43.57 per lb. in 1979. This is the principal reason for the sharp decrease in the year's mine operating margins.

Uranium prices have been in a steep decline since mid 1979. The NUEXCO exchange price, which is regarded as the spot price, has declined from the mid 1979 price of approximately $44.00 U.S. to the current level of $25.00 U.S. Despite this steep decline there still appears to be market disequilibrium. NUEXCO have recently stated that in their opinion "about half of all U.S. producers could not economically justify selling at today's prices, even on a marginal basis" and predict that "at least a 30% drop in U.S. production in 1980 through 1982 and continuing thereafter". On the other hand "new production from Canada and Australia is expected to run at a total cost considerably lower than the current market place". The consumption side of the uranium equation is also uncertain with the growth of energy use currently stagnant and the nuclear industry facing licencing logjams, project deferrals and cancellation of some programs.

In the face of these uncertainties the Madawaska Mines Limited-Consolidated Canadian Faraday joint venture and AGIP have negotiated a firm price of $32.75 for deliveries during the balance of 1981 and for 1982 from the Madawaska Mine. Although the price is significantly lower than that obtained by Madawaska during the past two years, this fixed

price should allow the joint venture to generate a small overall positive cash flow from operations during the next two years to the end of 1982 provided that certain cost and grade control objectives that are currently considered attainable are in fact achieved. Most important, however, is that the renegotiated price ensures the continued operation and development of the mine throughout what hopefully will be the worst part of a difficult marketing period.

Mineral Exploration

Your Company continues to hold 25% of the Conwest Group's interest in various exploration programs, the most significant of which is the Conwest Canadian Uranium Joint Venture. Your Company holds a 25% interest in the Conwest Group's 12.5% operating interest and 3% gross production royalty interest in the Joint Venture Lands, which include 291,000 acres on the edge of the Athabasca Basin in Saskatchewan and a further 106,500 acres in Quebec.

Eldorado Nuclear Limited continued to explore the Saskatchewan claim blocks and Quebec permits in 1980 on behalf of the Joint Venture. Expenditures in Saskatchewan totalled $1,200,000, and work consisted of various geological, geophysical and geochemical surveys and 3211 metres of diamond drilling in 35 holes. No uranium mineralization of significance was uncovered. Exploration work in Saskatchewan for 1981 by the Joint Venture is budgeted at $420,000. Denison Mines Limited continued exploration of lands farmed out from the Joint Venture and limited work is planned for 1981. Saskatchewan Mining Development Corporation is a one-third participant in all of the Joint Venture lands in Saskatchewan.

Exploration work on the Quebec permits included detailed prospecting, geological surveys and 1024 metres of diamond drilling in 18 holes. Several new boulder trains and a second uranium occurrence were discovered. Limited diamond drilling of the initial uranium find failed to produce favourable results. An expanded program is formulated for 1981 and budgeted at $1,400,000.

Exploration of three of the Conwest Group's base metal properties in New Brunswick was undertaken by Brunswick Mining and Smelting Corp. Ltd. in 1980. No important discoveries were made and exploration activities by Brunswick are continuing.

Your Company maintain a 24% interest in Hydra Explorations Limited. The latter company holds interests in two gold properties, one known as the Porcupine Peninsular property in the Timmins area, which is leased to Pamour Porcupine Mines Limited and subject to a production royalty. The other property, held through 50% owned Johnsby Mines Limited, is located in the Indin Lake area north of Yellowknife, N.W.T. Both properties were inactive during the year. Higher gold prices than existed at year end are required to make these economically attractive.

The Company also holds a 3.6% indirect interest in Pelly River Mines Ltd. through its holdings in Rose Creek Vangorda Mines Ltd. Pelly River is controlled by Cyprus Anvil Mining Corporation. Recent drilling by Cyprus Anvil has extended the Dy lead-zinc deposit into the Pelly River property. Much more drilling will be required to ascertain the importance of this extension.

Your Company holds a 38% interest in Prairie Potash Mines Limited, a company which holds 16,000 acres of potash leases in the Province of Manitoba. Subject to certain conditions, this interest will be reduced to 33⅓%. Negotiations have been in progress for some time to farm out these lands to International Minerals and Chemicals Corporation (Canada) Limited. The negotiations have been conducted on the basis that Prairie

Potash would receive reimbursement of its costs to date and retain an overriding royalty on production. I.M.C. Canada would undertake to carry out a drilling and feasibility program to examine the economics of a major potash mine on Manitoba lands.

NATURAL GAS INTERESTS

Your Company continues to hold an 11.01% interest in 18 sections of producing acreage in the Redcliffe area of Alberta. Faraday's share of income from the 66 producing shallow gas wells was $170,000 in 1980, as compared to $145,000 in 1979. An additional 10 wells were drilled in 1980 to maintain production levels.

OTHER INTERESTS

Effective June 30, 1980, your Company sold its interest in the 51-suite apartment complex located in Fort Myers, Florida for a net sale price of $1,228,000. This sale generated a gain (net of income taxes) of $647,000 for your company.

GENERAL

Operating cash flow from the Madawaska Mine will be marginal over the next two years. Nevertheless, the firm prices which have been negotiated for 1981 and 1982 deliveries enables the continued development of the mine and the maintenance of its staff and production levels through that period. The mine is being operated very efficiently, and we believe that on a cost per lb. U_3O_8 basis that our operation compares favourably with other Ontario producers. It is expected that by 1983 that the U_3O_8 price will have improved sufficiently from current levels to result in a more reasonable return on your Company's operation.

Despite the overall unfavourable earnings outlook for the mine for the next several years, 1981 first quarter earnings were strong. This reflects the last deliveries during the quarter of approximately 129,000 lbs. U_3O_8 under an old contract at prices in excess of $45.00.

The results of the current year and the reorganization of your Company's interest in the Madawaska Mine have resulted in a strong working capital position. Management will continue to focus on new projects and investments in the Canadian resource sector to expand and diversify the Company's earnings base.

The Directors wish to recognize the efforts of the staff and employees of the Madawaska Mine whose strong performance has resulted in the attainment of the current year's cost and grade control objectives, and also to recognize the contribution of our partner-manager, Federal Resources Corporation.

On behalf of the Board

W. C. Campbell

W. CLARKE CAMPBELL,
Chairman

J. Lamacraft

J. C. LAMACRAFT,
President and
Chief Executive Officer

Toronto, Ontario
May 7, 1981

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Liquidity and Capital Resources

Working Capital increased by $3.3 million during 1980 to $8.87 million and the current ratio increased from 4.3:1 to 7.5:1. Cash and short term deposits of $6.9 million at the end of 1980 was a marked improvement from that of the prior year end.

For the fiscal year the corporation's capital expenditures amounted to approximately $197,000 and it is not anticipated that this figure will be exceeded for 1981.

Result of Operations

Summary

The following table summarizes the corporation's consolidated net earnings the years ended December 31, 1980, 1979 and 1978 (in thousands of dollars).

	1980	1979	1978
Revenue			
Resource	$13,827	$11,882	$10,965
Interest and other	594	438	145
	14,421	12,320	11,110
Income from continuing operations before income taxes			
Resource	1,630	3,292	3,650
Interest and other	561	398	97
	2,191	3,690	3,747
Income from discontinued operations before income taxes	725	12	1
	2,916	3,702	3,748
Income taxes, net of extraordinary item in 1980	829	1,323	877
Consolidated net earnings	$ 2,087	$ 2,379	$ 2,871

The foregoing reflects the corporation's 49% share of the earnings of Madawaska Mines, which is the principal source of revenue.

Revenue

Revenue from uranium concentrate sales of the Madawaska Mines increased approximately $0.9 million from 1978 to 1979 and $.8 million from 1979 to the end of 1980. Although the uranium price decreased in the latter part of 1980 due to the depressed market, the increase in revenue over that of 1979 is attributable to the sale of the 1979 year end inventory for $2.4 million in January 1980. The marked increase in "other" revenue for 1980 is attributable to the sale during the year of marketable securities and the sale of Farida Inc. a wholly owned subsidiary, the owner of an apartment complex in Fort Myers, Florida.

Segment Operating Profits

Uranium operating profits declined steadily by approximately $450,000 between 1978 and 1979 with a marked decrease between 1979 and 1980. The latter decrease arose largely from the accelerated depreciation of the Corporation's share in the mining and milling facilities of the Madawaska Mine together with a depressed market price for uranium and escalating costs of labour and materials.

Selected Financial Data and Comparison of Selected Data

	In Thousands except per share amounts Year ended December 31		
	1980	1979	1978
Selected Financial Data			
Net income	$ 2,087	$ 2,379	$ 2,871
Per share	$ 0.58	$ 0.67	$ 0.81
Dividends per share	—	—	—
At year-end:			
Total assets	$12,647	$11,204	$11,974
Long-term obligations	NIL	$ 439	$ 359
Working capital	$ 8,871	$ 5,547	$ 3,137
Shareholders' equity	$11,294	$ 9,207	$ 6,801

Percentage of Lines of Business for each of the past two years as follows:

	1980	1979
Mineral operations	84%	94%
Oil and gas interests	2%	2%
Investments and real estate	14%	4%

Price Range of Common Shares

	1980	1979
First Quarter	$4.20-2.75	$3.40-2.70
Second Quarter	3.40-2.50	3.65-2.90
Third Quarter	3.70-2.55	4.25-3.40
Fourth Quarter	4.50-3.10	4.00-2.90

Form 10-K Annual Report

Copies of the Corporation's Form 10-K Annual Report for 1980 to the United States Securities and Exchange Commission will be available to shareholders upon written request to the Secretary of the Corporation.

CONSOLIDATED CANADIAN FARADAY LIMITED
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1980 AND 1979

ASSETS

CURRENT ASSETS	1980	1979
Cash and short term deposits	$ 6,952,000	$ 2,816,000
Accounts receivable	1,263,000	1,400,000
Inventories (note 4)	1,864,000	2,816,000
Prepaid expenses	145,000	164,000
	10,224,000	7,196,000
INVESTMENTS (note 5)	1,069,000	349,000
FIXED ASSETS (note 6)	1,186,000	3,210,000
OIL AND GAS INTERESTS (note 7)	137,000	400,000
MINERAL EXPLORATION INTERESTS	1,000	1,000
OTHER	30,000	48,000
	$12,647,000	$11,204,000

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 689,000	$ 671,000
Mining and other taxes payable	572,000	866,000
Current portion of long-term debt	92,000	112,000
	1,353,000	1,649,000
LONG-TERM DEBT (note 3)		348,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
5,000,000 shares of no par value		
Issued		
3,568,800 shares	6,693,000	6,693,000
CONTRIBUTED SURPLUS	1,506,000	1,506,000
	8,199,000	8,199,000
RETAINED EARNINGS	3,095,000	1,008,000
	11,294,000	9,207,000
	$12,647,000	$11,204,000

Approved by the Board

W. C. CAMPBELL, Director

J. C. LAMACRAFT, Director

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1980, 1979 AND 1978

	1980	1979	1978
Revenue			
Uranium concentrate sales	$12,426,000	$11,644,000	$10,720,000
Oil and gas production	248,000	195,000	216,000
Gain on disposal of investments	862,000	45,000	4,000
Gain (loss) on disposal of mining interests	260,000	6,000	(7,000)
Interest and other income	594,000	438,000	145,000
	14,390,000	12,328,000	11,078,000
Expenses			
Mining and exploration	6,756,000	4,661,000	3,400,000
Milling	1,984,000	1,490,000	1,219,000
Oil and gas production	78,000	50,000	80,000
General and administrative	1,096,000	872,000	936,000
Interest	12,000	563,000	549,000
Ontario mining taxes	532,000	661,000	658,000
Depreciation, depletion and amortization	1,772,000	333,000	521,000
	12,230,000	8,630,000	7,363,000
Income before undernoted	2,160,000	3,698,000	3,715,000
Equity in earnings (losses) of companies subject to significant influence	31,000	(8,000)	32,000
Income from continuing operations before undernoted items	2,191,000	3,690,000	3,747,000
Income taxes (note 8)	1,380,000	1,323,000	877,000
Income from continuing operations before extraordinary item	811,000	2,367,000	2,870,000
Income from discontinued operations (note 3)	647,000	12,000	1,000
Income before extraordinary item	1,458,000	2,379,000	2,871,000
Income tax reduction realized on application of resource expenditures of prior years (note 8)	629,000		
NET INCOME	$ 2,087,000	$ 2,379,000	$ 2,871,000
EARNINGS PER SHARE			
Continuing operations	$.23	$.67	$.81
Discontinued operations	.18		
Extraordinary item	.17		
Net income	$.58	$.67	$.81

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

YEARS ENDED DECEMBER 31, 1980, 1979 AND 1978

	1980	1979	1978
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	$ 1,008,000	$ (1,371,000)	$ (4,242,000)
Net income	2,087,000	2,379,000	2,871,000
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ 3,095,000	$ 1,008,000	$ (1,371,000)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1980, 1979 AND 1978

	1980	1979	1978
WORKING CAPITAL DERIVED FROM			
Operations	$ 2,203,000	$ 2,897,000	$ 4,258,000
Proceeds from investments	995,000	278,000	24,000
Proceeds on disposal of oil and gas interests	275,000		
Proceeds on disposal of revenue producing property net of mortgages assumed and taken back (note 3)	266,000		
Issue of shares		27,000	
Proceeds on disposal of fixed assets			190,000
	3,739,000	3,202,000	4,472,000
WORKING CAPITAL APPLIED TO			
Purchase of investments	195,000	28,000	
Purchase of fixed assets	197,000	284,000	250,000
Oil and gas interests	23,000	420,000	42,000
Reduction in long-term debt		10,000	3,986,000
Purchase of annuity		50,000	
	415,000	792,000	4,278,000
INCREASE IN WORKING CAPITAL	3,324,000	2,410,000	194,000
WORKING CAPITAL AT BEGINNING OF YEAR			
As previously reported	2,639,000	2,204,000	1,749,000
Adjustment arising on reclassification of investment in the Madawaska Mine to the proportionate consolidation basis	2,908,000	933,000	1,194,000
As reclassified	5,547,000	3,137,000	2,943,000
WORKING CAPITAL AT END OF YEAR	$ 8,871,000	$ 5,547,000	$ 3,137,000

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited as at December 31, 1980 and 1979 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for the three years ended December 31, 1980. For Consolidated Canadian Faraday Limited and subsidiaries of which we are the auditors, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other subsidiaries, companies subject to significant influence and the joint venture we have relied upon the reports of other auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the three years ended December 31, 1980 in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
April 27, 1981

THORNE RIDDELL
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980, 1979 AND 1978

1. INVESTMENT IN THE MADAWASKA MINE

Prior to August 1, 1980 the Corporation's investment in the Madawaska Mine was held through a 49% interest in a corporate joint venture, Madawaska Mines Limited. Effective August 1, 1980 this interest was converted into a 49% direct interest in the assets, liabilities and operations of the Madawaska Mine through the formation of the Madawaska Mines Limited-Consolidated Canadian Faraday Limited Joint Venture. Under the terms of the joint venture agreement the Corporation owns a 49% undivided interest in the unincorporated joint venture and the remaining 51% undivided interest is owned by Madawaska Mines Limited, the Operator of the Joint Venture and a wholly-owned subsidiary of a United States company, Federal Resources Corporation.

Prior to 1980 the Corporation accounted for its investment in the Madawaska Mine in its annual financial statements on the equity method. However, in order to assist in the meaningful comparison of the component parts of the Corporation's operations, the 1980 financial statements have been prepared reflecting this interest on the proportionate consolidation basis and the 1979 and 1978 comparative figures have been reclassified to conform with this method of presentation.

The Corporation's share of the net assets and the results of operations of the Madawaska Mine which have been included in the accompanying financial statements on the proportionate consolidation basis, are summarized as follows:

	1980	1979
Working capital	$ 2,648,000	$ 2,908,000
Fixed assets, net of accumulated depreciation	1,133,000	2,709,000
Oil and gas interests		275,000
Net equity	$ 3,781,000	$ 5,892,000

	1980	1979	1978
Revenue	$12,426,000	$11,644,000	$10,720,000
Interest	12,000	563,000	505,000
Depreciation	1,750,000	313,000	513,000
Other expenses and mining taxes	9,793,000	6,926,000	5,871,000
	11,555,000	7,802,000	6,889,000
Income before income taxes	$ 871,000	$ 3,842,000	$ 3,831,000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada, consistently applied. For the purposes of these statements, accounting policies are in conformity in all material respects, with accounting policies generally accepted in the United States. The significant accounting policies followed by the Corporation are summarized below to facilitate review of the consolidated financial statements.

(a) Long-term inter-corporate investments

The accompanying financial statements include, on a consolidated basis, the accounts of the Corporation and its wholly-owned subsidiaries.

The Corporation's investment in companies in which it has significant influence is accounted for on the basis of cost plus the Corporation's net equity in undistributed earnings in such companies since the date significant influence was acquired. The following are the principal companies accounted for on the equity method.

	Equity in Common Shares
Hydra Explorations Limited	24% (36% in 1979 and 1978)
Prairie Potash Limited	38%

Other long-term investments are carried at cost or at cost less amounts written off to reflect a decline in value which is other than temporary.

Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of such investments, which may be more or less than indicated by market quotations. For the purpose of determining quoted market value for certain investments, escrowed shares are valued at 50% of the quoted market value of free shares.

(b) Inventories

Inventories of broken ore, concentrate in process and materials and supplies are valued using the average cost method. Finished concentrate inventory is valued at cost on a specific identification method.

(c) Mineral exploration interests

Direct exploration expenditures and the cost of acquisition of mineral exploration interests are charged to income in the year incurred.

(d) Mineral resource interests

The cost of acquisition of mineral interests which contain economic mineral reserves and the cost incurred on mineral exploration interests subsequent to the determination that such interests contain economic mineral reserves are deemed to be mineral resource interests. These interests, together with development expenditures thereon, are deferred and carried as an asset to be amortized against future production. Upon disposal or abandonment, the net gain or loss related to such asset is reflected in the statement of income.

(e) Oil and gas interests

The Corporation follows the full cost method of accounting for oil and gas interests whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated and depreciation of petroleum equipment are provided using the composite unit of production method based on total proven reserves of oil and gas.

(f) Fixed assets

Fixed assets are recorded at cost. Additions, renewals and betterments that add materially to productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Substantially all of the Corporation's fixed assets are related to its interest in the Madawaska Mine. These assets are being depreciated on a unit of production basis over the remaining estimated economic ore reserves.

Upon retirement, abandonment, or disposal of an asset, the asset and related allowance for depreciation amounts are eliminated. Any related gains and losses on such transactions are included in income.

(g) Foreign currency translation

Amounts in foreign currency have been translated into Canadian dollars on the following basis:

(i) Current assets and current liabilities at the rate of exchange in effect as at the balance sheet date.
(ii) Fixed assets, related depreciation, long-term receivables and long-term debt at historical rates.
(iii) Revenues and expenses at the average rate of exchange in effect during the year.

3. DISCONTINUED OPERATIONS

Effective June 30, 1980 the Corporation sold its interest in a revenue producing property in Fort Myers, Florida for a net price of $1,228,000, satisfied by $255,000 cash, the assumption by the purchaser of the existing $354,000 first mortgage on the property and the balance of $619,000 in a 10% second mortgage taken back from the vendor. The details of the operations of this property included in the consolidated statement of income as "Income from discontinued operations", are as follows:

	1980	1979	1978
Rental and other income	$ 90,000	$ 154,000	$ 129,000
Operating costs and other expenses	90,000	140,000	128,000
Operating income	Nil	14,000	1,000
Income taxes		2,000	
Income before gain on sale of revenue producing property	Nil	12,000	1,000
Gain on sale of revenue producing property (net of income taxes of $78,000)	647,000		
Income from discontinued operations	$ 647,000	$ 12,000	$ 1,000

4. INVENTORIES

	1980	1979
Finished concentrate	$ 473,000	$ 1,164,000
Concentrate in process	127,000	169,000
Broken ore	762,000	981,000
Materials and supplies	502,000	502,000
	$ 1,864,000	$ 2,816,000

5. INVESTMENTS

	1980	1979
Companies subject to significant influence		
With quoted market value		
Hydra Explorations Limited (quoted market value $2,108,000; 1979, $889,000)	$ 142,000	$ 166,000
Without quoted market value	195,000	
	337,000	166,000
Other shares		
Shares with quoted market value (quoted market value $68,000; 1979, $289,000)	68,000	144,000
Shares without quoted market value	26,000	26,000
	94,000	170,000
Mortgages receivable		
10% second mortgage, payable interest only quarterly, due September 23, 1985	627,000	
Other	11,000	13,000
	638,000	13,000
	$ 1,069,000	$ 349,000

6. FIXED ASSETS

	1980	1979
Environmental land improvements	$ 458,000	$ 458,000
Buildings	648,000	1,191,000
Equipment	2,607,000	2,588,000
	3,713,000	4,237,000
Less accumulated depreciation	2,579,000	1,180,000
	1,134,000	3,057,000
Land	52,000	153,000
	$ 1,186,000	$ 3,210,000

7. OIL AND GAS INTERESTS

	1980	1979
Participation in drilling of wells on the Corporation's approximate 11% interest in certain natural gas leases in the Redcliffe area of south-eastern Alberta	$ 175,000	$ 152,000
Proportionate interest in oil and gas interests of the corporate joint venture, Madawaska Mines Limited		275,000
	175,000	427,000
Less accumulated depletion	38,000	27,000
	$ 137,000	$ 400,000

8. INCOME TAXES

The income taxes reflected in the consolidated statement of income are comprised of the following:

	1980	1979	1978
Provision for income taxes that would have been required if resource expenditures of prior years had not been available as deductions for tax purposes	$ 629,000		
Less income tax netted against gain on sale of revenue producing property included in income from discontinued operations	78,000		
	551,000		
Corporation's interest in income taxes recorded in the accounts of the corporate joint venture, Madawaska Mines Limited	829,000	$ 1,323,000	$ 877,000
	$ 1,380,000	$ 1,323,000	$ 877,000

9. RELATED PARTY TRANSACTIONS

Conwest Exploration Company Limited, indirectly owns 15.6% of the Corporation and consequently many of the companies within the Conwest Group of companies are related parties. As part of normal business operations the Corporation makes extensive use of Conwest's management and technical services. The Corporation's share of the cost of such services amounted to $224,000 in 1980.

The Corporation participates, as to a 25% interest, in the exploration of certain non-hydrocarbon exploration prospects with members of the Conwest Group, at costs which are proportionate to its interest. During the year such costs amounted to $79,000.

Federal Resources Corporation provides certain accounting, data processing and management services in connection with the operations of the Madawaska Mine. The Corporation's share of the cost of such services amount to $192,000 in 1980.

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